

## Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ISO-00 TRSE-00 SIG-01 L-03 FRB-03  
OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05  
CIAE-00 COME-00 INR-07 IO-13 LAB-04 NSAE-00  
OIC-02 SIL-01 STR-06 CEA-01 SS-15 IGA-02 /092 R

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EB/ORF/ICD/TRP:MWALL (DRAFT)  
TREASURY:BBENTON (DRAFT)

-----101699 212014Z /50

R 202136Z JAN 78  
FM SECSTATE WASHDC  
TO AMEMBASSY ABIDJAN  
INFO ALL AFRICAN DIPLOMATIC POSTS

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E.O. 11652: N/A

TAGS: ETRD, PORG, UNCTAD, IV

SUBJECT: COMMON FUND: USG VIEWS ON USES OF COMMODITY  
STABILIZATION FUNDS

REF: ABIDJAN 0040 (NOTAL)

1. REFTEL INQUIRED AS TO USG'S POSITION ON POSSIBLE USE OF  
BUFFER STOCK FUNDS OWNED BY AN INTERNATIONAL COMMODITY  
AGREEMENT (ICA) FOR DEVELOPMENT LOANS TO MEMBER GOVERNMENTS.  
USG HAS CONSISTENTLY TAKEN THE POSITION, IN NEGOTIATIONS  
CONCERNING THE COMMON FUND AND INDIVIDUAL ICAS, THAT FUNDS  
CONTRIBUTED TO ICAS FOR PRICE STABILIZATION BUFFER STOCK  
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OPERATIONS SHOULD BE USED STRICTLY FOR THAT PURPOSE.  
WHETHER A PARTICULAR ICA MIGHT ALSO BE ENDOWED WITH

SEPARATE ACCOUNT FOR DEVELOPMENT LOANS OR OTHER PURPOSES IS  
SUBJECT FOR NEGOTIATION AMONG PRODUCERS AND CONSUMERS IN

EACH CASE. SUCH ADDITIONAL ACCOUNTS SHOULD BE CLEARLY

SEGREGATED FROM BUFFER STOCK ACCOUNT, HOWEVER. IN THE COMMON FUND TALKS, USG POSITION IS THAT LDCS HAVE YET TO ESTABLISH CLEAR CASE FOR COMMON FUND FINANCING OF MEASURES OTHER THAN PRICE STABILIZATION BUFFER STOCKS MANAGED BY ICAS. SUCH ACTIVITIES ARE BEST LEFT TO EXISTING INTER-

NATIONAL FINANCIAL AND DEVELOPMENTAL INSTITUTIONS, WHICH HAVE BUILT UP A STORE OF EXPERTISE AND EXPERIENCE NOT EASILY DUPLICATED BY A NEW INSTITUTION. IN ARGUING FOR THE NEED TO GIVE THE COMMON FUND A "SECOND WINDOW" FOR SUCH LENDING, REPRESENTATIVES OF THE G-77 AT THE UNCTAD NEGOTIATING CONFERENCE ATTEMPTED TO BOLSTER THEIR POSITION BY ASSERTING THAT ANY SUCH ACCOUNT WOULD BE KEPT SEPARATE FROM THAT FOR BUFFER STOCK FINANCING.

2. VIEWS EXPRESSED BY M. KOUAKOU OF GOIC ON THIS ISSUE APPEAR TO BE BASED ON MISUNDERSTANDING OF ECONOMIC AND FINANCIAL CONSIDERATIONS INVOLVED IN TYPICAL MODE OF OPERATION OF INTERNATIONAL COMMODITY ARRANGEMENTS. RESOURCES BELONGING TO THE COCOA AGREEMENT OR ANY OTHER ICA WHICH ARE NOT TIED UP IN STOCKS MUST BE KEPT IN LIQUID FORM, MOST PROBABLY THROUGH INVESTMENT IN SHORT-TERM, INTEREST-BEARING INSTRUMENTS, IN ORDER TO DEFEND AGAINST SUDDEN PRICE DECLINES. INTEREST INCOME COULD BE USED TO DEFRAY THE ICA'S ADMINISTRATIVE COSTS OR TO EXPAND THE FINANCIAL RESOURCES AVAILABLE TO THE ICA FOR LIMITED OFFICIAL USE

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STABILIZATION. ALTERNATIVELY, AS IN THE PROVISIONS OF THE COCOA AGREEMENT, IT COULD BE REDISTRIBUTED TO MEMBER GOVERNMENTS IF AGREEMENT IS EVER DISSOLVED. UNDER THE COMMON FUND MODEL PROPOSED BY GROUP B IN UNCTAD, UNUSED LIQUID FUNDS OWNED BY ONE ICA COULD BE LENT TO ANOTHER ICA FOR ITS OWN STOCK PURCHASES, ON REIMBURSABLE, SHORT-TERM

BASIS. IN ANY EVENT, SUCH FUNDS WOULD NOT BE HELD IN STERILE FORM.

3. KOUAKOU'S ASSERTION THAT ICA FUNDS LENT FOR DEVELOPMENT PURPOSES WOULD BE READILY AVAILABLE FOR STABILIZATION PURCHASES IS NOT SUPPORTED BY CONDITIONS PREVAILING GENERALLY IN INTERNATIONAL COMMODITY MARKETS. SUCH INCREMENTAL DEVELOPMENT FINANCING WOULD BE IN THE FORM OF LONG-TERM, CONCESSIONAL CREDITS, WHILE PRICE FLUCTUATIONS CALLING FOR STABILIZATION OPERATIONS ARISE FREQUENTLY IN THE SHORT-TERM AND ARE NOT CONSISTENTLY PREDICTABLE. SUCH LENDING WOULD THUS REDUCE THE RESOURCES AVAILABLE TO ICAS AND PROBABLY WOULD RENDER THEIR STABILIZATION PROVISIONS INEFFECTIVE.

4. EMBASSY ABIDJAN MAY WISH TO DISCUSS THESE POINTS  
FURTHER WITH KOUAKOU, AS APPROPRIATE. OTHER AFRICAN POSTS  
ARE BEING PROVIDED WITH THESE VIEWS AS BACKGROUND ON OUR  
POSITION REGARDING THE "OTHER MEASURES" ISSUE IN THE  
COMMON FUND TALKS. CHRISTOPHER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COMMODITIES, DEVELOPMENT LOANS  
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**Decaption Date:** 01 jan 1960  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Subject:** COMMON FUND: USG VIEWS ON USES OF COMMODITY STABILIZATION FUNDS  
**TAGS:** ETRD, PORG, IV, UNCTAD  
**To:** ABIDJAN  
**Type:** TE  
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**Review Markings:**  
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